

The Insolvency Act 1986

**Administrator's progress report****R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

A &amp; K Guest House Limited

Company number

SC261082

(a) Insert full  
name(s) and  
address(es) of  
administrator(s)I/We (a)  
John Charles Reid  
Deloitte LLP  
Lomond House  
9 George Square  
Glasgow  
G2 1QQBrian William Milne  
Deloitte LLP  
Lomond House  
9 George Square  
Glasgow  
G2 1QQ

administrator(s) of the above company attach a progress report for the period

from

to

(b) Insert date(s)

(b) 23 April 2009

(b) 22 October 2009

Signed

  
Joint / Administrator(s)

Dated

19 November 2009

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the public record

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When you have completed and signed this form, please send it to the Registrar of Companies at:-  
**Companies House, 4<sup>th</sup> Floor**  
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**EH3 9FF**

WEDNESDAY

SCT 25/11/2009 1204  
COMPANIES HOUSE

**A & K GUEST HOUSE LIMITED  
(IN ADMINISTRATION)**

**COURT OF SESSION – REFERENCE NUMBER P515/09**

**PROGRESS REPORT  
PURSUANT TO RULE 2.38 OF THE INSOLVENCY (SCOTLAND) RULES 1986 (AS  
AMENDED)**

**19 November 2009**

**John C Reid and Brian W Milne  
Deloitte LLP  
Lomond House  
9 George Square  
Glasgow  
G2 1QQ**

**This report has been prepared for the sole purpose of advising the Creditors. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.**

**The Joint Administrators act as agents of the Company without personal liability**

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## **APPENDICES**

### **I. Statutory information**

## ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used:

“the Act”	The Insolvency Act 1986 (as amended)
“the Rules”	The Insolvency (Scotland) Rules 1986 (as amended)
“the Joint Administrators”	John Charles Reid and Brian William Milne of Deloitte LLP
“the Company”	A & K Guest House Limited (In Administration)
“the Director”	Ameet Singh
“the Bank / the Secured Creditor”	The Clydesdale Bank Plc
“DMH”	DM Hall Chartered Surveyors
“PP”	The Prescribed Part of the Companies’ net property subject to s176A of the Insolvency Act 1986 (as amended)
“QFCH”	Qualifying Floating Charge Holder

## **1. INTRODUCTION**

### **1.1 Introduction**

In accordance with Rule 2.38 of the Rules, we write to advise you on the progress of the Administration for the period 23 April 2009 to 22 October 2009.

This report has been prepared to provide creditors with an update on the progress of the Administration of the Company since our first report to creditors dated 16 June 2009.

Given the information provided in previous reports, we have not included detailed background information in respect of the Company and have focussed on the progress of the Administration since this report.

A schedule of statutory information in respect of the Company is attached at Appendix I.

### **1.2 Details of the appointment of the Administrators**

John C Reid and Brian W Milne of Deloitte LLP were appointed Joint Administrators of the Company by the Secured Creditor under paragraph 14 of Schedule B1 of the Act on 23 April 2009.

The Court of the proceedings is The Court of Session, Edinburgh (case number P515/ 2009).

For the purposes of Paragraph 100(2) of Schedule B1 of the Act, the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

## **2. THE JOINT ADMINISTRATORS' PROPOSALS AND ACTIONS TO DATE**

### **2.1 Introduction**

As you are aware, the Joint Administrators performed their functions in relation to the Company with the second objective set out in paragraph 3(b) of Schedule B1 of the Act which is 'achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration)'.

One part of the Company's business continues to trade with a view to affecting a going concern sale. In addition, the Company has other property assets and it is considered that the second objective will be achievable in this instance.

The Joint Administrators' proposals in order to achieve this objective, which were approved by the creditors of the Company following the expiry of 12 days from the receipt of the Joint Administrators' report and proposals by the creditors, are as follows:

1. the Joint Administrators continue to manage the affairs and any remaining assets of the Company and the settlement of all Administration expenses;
2. the Joint Administrators continue with their enquiries into the conduct of the Director of the Company and continue to assist any regulatory authorities with their investigation into the affairs of the Company;
3. the Joint Administrators be authorised to agree the claims of the secured, preferential, if any and unsecured creditors against the Company unless the Joint Administrators conclude, in their reasonable opinion, that the Company will have no assets available for distribution;
4. the Joint Administrators be authorised to distribute funds to the secured and any preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors, if the Court gives permission following an appropriate application;
5. that, in the event the creditors of the Company so determine, at a meeting of creditors, a Creditors Committee be appointed in respect of the Company comprising of not more than five and not less than three creditors of the Company;
6. that, in respect of the Company, the Creditors' Committee, if one is appointed, shall be asked to agree that the Joint Administrators' fees be fixed by reference to the time given in attending to matters arising in the Administration and asked to agree the Joint Administrators' expenses;
7. that, if a Committee is not appointed at a meeting of creditors, the meeting of creditors' shall be asked to agree the Joint Administrators' fees as well as the Joint Administrators' expenses to be drawn from the Company's assets and that the Joint Administrators' expenses for mileage be calculated by reference to mileage properly incurred by the Joint Administrators and their staff in attending to matters arising in the Administration, at the prevailing standard mileage rate used by Deloitte LLP at the time when the mileage is incurred (presently up to 40p per mile);

8. that, following the realisation of assets and resolution of all matters in the Administration, and as quickly and efficiently as is reasonably practicable, the Joint Administrators implement the most cost effective steps to formally conclude the Administration. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then the dissolution of the Company or alternatively, seeking to put the Company into Creditors' Voluntary Liquidation ("CVL") or Compulsory Liquidation, depending on which option will result in a better realisation for creditors;
9. that, if the Company were to be placed into CVL, the Joint Administrators propose to be appointed Liquidators and any Creditor Committee appointed will become the Liquidation Committee. As per Paragraph 83(7) of Schedule B1 of the Act and Rule 2.47 of the Rules, the creditors may nominate a different person to be Liquidator(s) provided the nomination is made before the proposals are approved by creditors. For the purposes of Section 231 of the Act the Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally; and
10. in the absence of a Creditors Committee, the secured and preferential creditors (to the extent that they exist) of the Company shall be asked to agree that the Joint Administrators be discharged from liability per Paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Joint Administrators' filing their final report to creditors.

## 2.2 Progress on and achievement of the approved proposals

We have summarised below the progress and current status in respect of each of the approved proposals:

Proposal	Current status
1	Ongoing
2	Completed – Report filed 9 October 2009
3	Ongoing
4	Ongoing
5	Not applicable, no committee formed
6	Not applicable, no committee formed
7	Ongoing
8	Ongoing
9	Ongoing
10	Ongoing

Further information in respect of the realisation of assets, the status of liabilities and the estimated outcome for creditors is contained in the following sections of this report.

### **3. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AND ESTIMATED OUTCOME STATEMENT**

#### **3.1 Introduction**

The Joint Administrators Receipts and Payments account covering the period from 23 April 2009 to 22 October 2009 is summarised at paragraph 3.4 of this report.

#### **3.2 Asset realisations**

##### **Heritable Property**

Following appointment, the Joint Administrators carried out analysis and investigation of the Company's property portfolio. The properties and their current status are summarised below:

- The Relax Guest House, 11 Eyre Place, Edinburgh – **This property is being traded under a management agreement until such time as a successful sale has been achieved;**
- Fairfield Garage, 34 Bellfield Street, Dundee – **Vacant; and**
- 16/18 Stirling Street, Airdrie, ML6 0AH – **This property is currently being traded as a bookmaker by a tenant in situ. Rental income will continue to be received on a quarterly basis until a sale has been realised.**

#### **3.3 Estimated future realisations**

##### **The Relax Guest House**

The guesthouse is currently being marketed by DMH and has received a reasonable level of interest to date and numerous viewings.

The strategy with regards to realisation remains for the property to be sold as a functional guest house however, should this not be possible, the Joint Administrators will consider other options for the realisation of this asset.

##### **Fairfield Garage, 34 Bellfield Street, Dundee**

DMH are also the marketing agent in respect of this property, which has received a reasonable level of interest since it went on the market in May 2009. However, no prospective purchaser has come forward with a formal offer at this stage.

##### **16/18 Stirling Street, Airdrie**

Graham & Sibbald Chartered Surveyors were appointed as the marketing agent to act in respect of this property.

There has been an encouraging level of interest in the property and several offers have been received to date.

A formal offer has been accepted in principal although at this stage has not been concluded.



Several parties have expressed an interest in purchasing both The Relax Guest House and Fairfield Garage, together with certain of the assets of Relax Markets Limited, an associated company, however, to date no formal offers have been accepted.

Creditors will continue to be updated as these matters progress.

### 3.4 Receipts and Payments Account

<b>Joint Administrators Receipts and Payments</b>	
<b>Account for the period 23 April 2009 to 22 October 2009</b>	
	£
<b>Receipts</b>	
Airdrie Rental	16,000
Management Fee	5,887
	<b>21,887</b>
<b>Payments</b>	
Rates	(125)
Specific Bond	(36)
Marketing Costs	(532)
Agents/Valuers Fees	(1,128)
Legal Fees	(641)
Registers of Scotland	(15)
Statutory Advertising	(326)
	<b>(2,803)</b>
<b>Funds on hand</b>	<b>19,084</b>
<i>Source: Deloitte Analysis</i>	

### 3.5 Estimated Outcome Statement

In light of the ongoing discussions over the sale of the Company's assets, the Joint Administrators have determined that the disclosure of an estimate of the value of the Company's net property would seriously prejudice the commercial interests of the Company. Accordingly, pursuant to Rule 2.25(k)(i)(bb) of the Rules, this information was not disclosed as part of the Joint Administrators' Proposals. The net property realisations will arise from the sale of the Company's property portfolio.

The estimated outcome remains uncertain and is dependent upon future recoveries and costs in the Administration.

#### **4. DISTRIBUTIONS TO CREDITORS**

##### **4.1 Secured Creditors**

A formal claim in the sum of £1,533,395 has been received from the Bank which is secured by standard securities (detailed below) and a qualifying floating charge over all property and undertakings of the Company:

- Fairfield Garage, 34 Bellfield Street, Dundee – standard security registered 14 December 2006; and
- Relax Guest House, 11 Eyre Place, Edinburgh – standard security registered 23 April 2009

The final amounts available for distribution to the Secured Creditor of the Company will be dependent on the future costs and expenses of the Administration.

##### **4.2 Preferential creditors**

There are no Preferential Creditors of the Company.

##### **4.3 Prescribed Part**

The estimated PP remains uncertain and is dependant upon future recoveries and costs in the Administration, including the cost of agreeing the claims of, and making distributions to, unsecured creditors.

As disclosed in paragraph 4.5 of this report, the Joint Administrators have determined that the disclosure of an estimate of the value of the Company's net property would seriously prejudice the commercial interests of the Company. Accordingly, no estimate of the PP is provided.

The quantum of unsecured claims will also impact any dividend available to unsecured creditors and the level of unsecured claims remains uncertain at this stage.

##### **4.4 Unsecured creditors**

After discharging the costs of the Administration, it is forecast that there may be insufficient realisations from floating charge assets to repay the Secured Creditor in full.

Accordingly, we do not expect that any funds will be available to pay a dividend to the unsecured creditors of the Company, other than by possibly a distribution under the PP as noted above.

## **5. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS**

### **5.1 Investigations**

We have carried out investigations into the conduct of the Director and a confidential final report was submitted to the Department for Business, Innovation and Skills on 9 October 2009.

### **5.2 Exit**

The exit routes available to the Administrators are detailed in the proposals.

Should the Administration not require to be extended, the Administration will come to an automatic end under paragraph 76 of Schedule B1 of the Act.

However, should the Administration be extended, the exit route will be an exit by way of dissolving the Company under paragraph 84 of Schedule B1 of the Act.

### **5.3 SIP 13 (Scotland) – Transactions with connected parties**

As previously advised and in accordance with the guidance given in Statement of Insolvency Practice Number 13 (Scotland), there have been transactions with connected parties during this period.

As you are aware, the Joint Administrators have entered into a Management Agreement with regard to the ongoing trade of the Relax Guest House. One of the parties involved in the agreement is the Director of the Company.

The aforementioned transaction has been carried out on an arm's length basis.

Should creditors have information pertaining to any other transactions, they should forward details of these in writing to the Joint Administrators.

## 6. JOINT ADMINISTRATORS' FEES AND EXPENSES

### 6.1 Joint Administrators' Fees

In accordance with Rule 2.39(9)(b) of the Rules and the Statement of Joint Administrators' Proposals dated 16 June 2009, the Joint Administrators' remuneration and outlays requires the approval of the Secured Creditor and Preferential Creditors. As there are no Preferential Creditors of the Company, the approval of the Joint Administrators' remuneration and outlays will be given by the Secured Creditor.

To date, the Joint Administrator's have not made any claim for remuneration.

### 6.2 Disbursements

The Joint Administrators' direct disbursements for the Administration to date are as follows:

Nature of disbursement	Total for the period (£)
Travel	92.17
Subsistence	51.14
<b>Total</b>	<b>143.31</b>

Note that Deloitte LLP policy is to seek approval of both Category 1 and 2 disbursements and therefore there is no need to distinguish between the two. Disclosure is required where we have incurred Category 2 expenses such as mileage and internal copying.

Mileage is calculated at the prevailing standard mileage rate of up to 40p used by Deloitte LLP at the time when the mileage is incurred.

### 6.3 Other professional costs

As previously advised, agents have been appointed to advise on the marketing and sale of the Company's assets. Their fees, in the best part, are to be based upon a percentage of the sales proceeds received and as such, not all fees have been received.

Maclay Murray & Spens solicitors were instructed to carry out the legal administration of the appointment. Details of the costs incurred to date are detailed below.

All professional costs are reviewed and analysed before payment is approved.

	Gross(£)
Graham & Sibbald	1,352
DM Hall	308
Maclay Murray & Spens	641
<b>Total</b>	<b>2,301</b>

## APPENDIX I

### STATUTORY INFORMATION

<b>Company Name:</b>	A & K Guest House Limited (in Administration)
<b>Court Reference:</b>	P515/09 Court of Session, Edinburgh
<b>Date of Appointment of Joint Administrators:</b>	23 April 2009
<b>Joint Administrators:</b>	John Charles Reid & Brian William Milne Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ
<b>Registered Office Address:</b>	c/o Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ
<b>Former Registered Office Address:</b>	11 Eyre Place Edinburgh EH3 5ES
<b>Company Number:</b>	SC261082
<b>Company Secretary:</b>	Kalash Kaur Singh
<b>Bankers:</b>	Clydesdale Bank PLC
<b>Appointment by:</b>	Clydesdale Bank PLC – under paragraph 14 of Schedule B1 of the Insolvency Act 1986 (as amended)
<b>Directors at the date of Appointment:</b>	Ameet Singh
<b>Shareholdings (all at £1 nominal value):</b>	Ameet Singh – 50 ordinary shares Kirpal Singh – 50 ordinary shares